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In The

Supreme Court of the United States

NOSSAMAN LLP, AU OPTRONICS CORPORATION AND AU OPTRONICS CORPORATION AMERICA, et al.,

Petitioners,

v.

UNITED STATES OF AMERICA,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The questions presented are:

1. Does a grand jury subpoena necessarily take precedence over a stringent civil protective order under any and all circumstances? If not, what factors should a district court consider in weighing the competing interests, and which party has the burden of persuasion?

2. Where documents are located overseas and in the possession and control of foreign corporations, may a federal grand jury expand the geographical limits of its subpoena power by simply subpoenaing all discovery produced in the parallel civil MDL action?

3. Does a rule that a grand jury subpoena supersedes a civil protective order in all cases needlessly restrict the district court's discretion under Rule 17(c)(2) of the Federal Rules of Criminal Procedure to balance the conflicting interests involved in parallel criminal and civil MDL proceedings?

PARTIES TO THE PROCEEDING

Petitioners are AU Optronics Corporation, AU Optronics Corporation America, and Nossaman LLP. Respondent, who was the Appellant in the Court of Appeals below, is the United States.

Additional parties to the proceedings below are White & Case LLP, Toshiba Corporation, Toshiba Mobile Display Co., Ltd. (f/k/a Toshiba Matsushita Display Technology Co., Ltd.), Toshiba America Electronic Components, Inc., Toshiba America Information Systems, Inc., and K&L Gates LLP.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Petitioner AU Optronics Corporation ("AUO") is a publicly traded corporation in Taiwan that has no parent corporation, and no publicly held corporation owns 10% or more of its stock. The parent corporation of Petitioner AU Optronics Corporation America ("AUOA") is AUO (L) Corporation. Petitioner Nossaman LLP is a California limited liability partnership that has no parent corporation, and no publicly held corporation owns 10% or more of its stock.

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PETITION FOR WRIT OF CERTIORARI

Petitioners AU Optronics Corporation, AU Optronics Corporation America and Nossaman LLP respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

OPINIONS BELOW

The decision of the United States Court of Appeals for the Ninth Circuit is reported at 627 F.3d 1143 (9th Cir. 2010) and is reproduced in Appendix A. (App 1a.) The order of the United States District Court for the Northern District of California was filed under seal on February 11, 2010. (Sealed App. 2.) The "Statement of Reasoning Involved in Court's Order of February 11, 2010" is reported at 2010 WL 1264601 (N.D. Cal. March 29, 2010) and is reproduced in Appendix B. (App. 4a).

JURISDICTION

The decision and judgment of the United States Court of Appeals for the Ninth Circuit were filed on December 7, 2010. No party sought rehearing. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

Federal Rule of Criminal Procedure 17(c)(2):

Quashing or Modifying the Subpoena.

On motion made promptly, the court may quash or modify the subpoena if compliance would be unreasonable or oppressive.

INTRODUCTION

Certain documents are located overseas, in the possession and control of a foreign-based corporation. The corporation – a defendant in a civil MDL proceeding – is ordered in that proceeding to "immediately produce" those foreign-based documents in the United States, subject to the terms of a stringent protective order that prohibits further disclosure or distribution.

May a Federal grand jury obtain these foreign-based documents by simply subpoenaing them from various law firms representing parties to the MDL action, rather than pursuing the usual avenues for obtaining such foreign-based documents, such as letters rogatory?

The United States Court of Appeals for the Ninth Circuit held that a grand jury subpoena *always* takes precedence over a civil protective order, even when the documents at issue "have been moved from outside the grasp of the grand jury to within its grasp" solely pursuant to court order. The Fourth and Eleventh Circuits earlier applied similar blanket rules in purely domestic cases.

However, the First, Second and Third Circuits take a more nuanced approach. Those courts have held that district courts should balance the competing interests of the grand jury, the civil plaintiffs and the defendants. The First and Third Circuits hold that grand jury subpoenas should take precedence in most (but not all) cases; the Second Circuit holds that civil protective orders should frequently govern.

In recent years, the Antitrust Division has devoted significant resources to investigating purported international price fixing cartels. The important issues squarely presented here will arise again and again:

- What is the proper balance between civil protective orders and grand jury subpoenas, particularly where foreign-based documents are involved;

- Whether a grand jury may await the inevitable filing of parallel civil litigation to extend the *de facto* reach of its subpoena power by subpoenaing foreign-based documents which defendants are ordered to produce in civil discovery;

- How to address the conflict between grand jury subpoenas and the district court's inherent power to manage and supervise complex international civil litigation.

This Court's guidance is urgently needed.

The Ninth Circuit's Opinion "apply[ing] [its] per se rule that a grand jury subpoena takes precedence over a civil protective order" widens a three-way Circuit split, by extending the *per se* rule previously followed by the Ninth, Fourth and Eleventh Circuits for the first time to foreign-based documents and corporations. As a result, this case presents significant legal questions of both national and international importance that should be settled by this Court. As the District Court stated: "the motions to quash raise novel issues with potential far-reaching implications about the power of the grand jury and the relationship between grand jury proceedings and civil discovery of unindicted foreign

defendants." (App. 2a.) The Ninth Circuit's Opinion fails to acknowledge these important issues.

STATEMENT OF THE CASE

A. Factual Background

1. Dozens of Civil Lawsuits Are Filed After an Antitrust Division Investigation is Publicly Revealed

In December 2006, news reports revealed that the Antitrust Division of the United States Department of Justice (the "Division") was pursuing a criminal investigation of the thin-film transistor, liquid crystal panel[1] ("TFT-LCD") industry. In the days and weeks that followed, dozens of civil actions were filed in district courts around the country. These civil actions were indisputably a direct result of the criminal investigation.[2] The Judicial Panel on Multidistrict Litigation transferred the parallel civil cases to the United States District Court for the Northern District of California for coordinated proceedings (the "MDL Action"). *In re: TFT-LCD*

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[1] A TFT-LCD panel is manufactured by placing liquid crystal compound between two pieces of glass called substrates. The resulting panel contains pixels which can be electrically manipulated to form an image. TFT-LCD panels are used in a variety of consumer products, including televisions, computer displays and laptops, and cellular phones.

[2] The District Court noted that the civil MDL herein flowed directly from the grand jury investigation, as often happens under similar circumstances. (Sealed App. 6.) Indeed, Plaintiffs supported their allegations by citing the criminal investigation in their Complaints. *See, e.g., Art's TV & Appliance v. LG Philips LCD Co., Ltd.*, No. 3:07-cv00393 SI (N.D. Cal. Jan. 19, 2007), ¶ 60.

(Flat Panel) Antitrust Litigation, No. 3:07-md-1827 SI, MDL No. 1827 (N.D. Cal.).

2. The Division Intervenes in the Civil Litigation and Requests a Stay of Civil Discovery

The Division moved for leave to intervene in the MDL Action in order to "limit" civil discovery. (Dist. Ct. Dkt. No. 217, Order Granting United States' Motion to Intervene, dated July 10, 2007, at 1.) Once the Division's motion was granted, it moved for a stay of discovery instead. (Dist. Ct. Dkt. No. 990, Motion to Modify September 25, 2007 Stay Order, at 6.)

The Division based its motion to stay on two propositions. First, the Division pointed out that civil discovery is broader than criminal discovery. (*See* Dist. Ct. Dkt. No. 232, Memorandum in Support of Motion to Stay at 1.) It acknowledged that broad civil discovery rules should not be used to get around more limited discovery rules, such as those governing criminal discovery. (*Id.* at 2.)

Second, the Division argued that allowing civil discovery to go forward would put individuals who had not pled guilty to criminal charges in an untenable position. (*Id.* at 4, 6.) Without a stay of civil discovery, such persons would have to choose between asserting their Fifth Amendment privilege against self-incrimination, with the negative inference that comes with that decision, or testifying and running the risk of self-incrimination in the criminal matter. Such a "choice" weighed in favor of a stay of discovery, the Division asserted. (*Id.*)

The Court granted the Division's motion to stay discovery in the MDL Action until May 2008, permitting only limited discovery unrelated to the criminal investigation to proceed. (Dist. Ct. Dkt. No. 300, September 2007 Stay Order ¶ 6.) The Court also granted the Division the right to review, but not copy, the civil discovery to ensure that the parties adhered to the terms of the Stay Order. (*Id.*)

3. The Division Initially Agrees To and Abides By the Civil Protective Order

In December 2007, following its order staying full-scale discovery in the MDL Action, the District Court entered a stipulated protective order (the "Civil Protective Order"). (Dist. Ct. Dkt. No. 421, December 10, 2007 Protective Order.) The Civil Protective Order preserves the confidentiality and limits the use of certain designated documents produced in the civil discovery. (*Id.*) The Order provides that parties may designate their materials as "confidential" or "highly confidential," and strictly limits the persons who may be given access to protected materials. Indeed, under most circumstances, counsel are barred from disclosing documents marked "highly confidential" to their clients. The Civil Protective Order applies to all parties and provides that parties receiving protected material may use the material only "for prosecuting, defending, or attempting to settle this action." (*Id.* at 7.) The Division did not object to these limitations.

In reliance on the protections of the Protective Order, AUO produced documents in court-ordered civil discovery.

Not long after discovery began in the MDL action, the Division requested copies of class certification deposition transcripts and exhibits from the parties. According to the Division, it needed the material in order to ensure compliance with the Stay Order. The Division expressly agreed to accept the material subject to the limitations of the Civil Protective Order: "Since the DOJ is already a party to the above-captioned case, we do not believe this request violates the terms of the Stipulated Protective Order. Moreover, the DOJ agrees to treat all deposition transcripts and exhibits according to the terms of the Stipulated Protective Order." (Letter from Niall E. Lynch to Direct-Purchaser Plaintiffs' Co-Lead Counsel, Indirect Purchaser Plaintiffs' Co-Lead Counsel and Counsel for Defendants, dated March 16, 2009 ("Division's March 16 Letter") at 1.)

4. The Initial Grand Jury Subpoenas Request Domestic Documents Only

Shortly after its criminal investigation became public in December 2006, the Division served grand jury subpoenas on numerous American subsidiaries of TFT-LCD manufacturers. The subpoenas sought production only of documents located in the United States. The Division stated that production of any foreign documents was entirely voluntary.[3] In response to the subpoena, AUOA produced over two million pages of documents located in the United States to the grand jury.

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[3] The cover letter accompanying these initial subpoenas expressly stated: "With respect to any responsive documents located outside of the United States . . . the Antitrust Division requests your cooperation in producing any such documents on a voluntary basis . . . ." (Cover Letter to Subpoenas.)

5. More Than Two Years Later, the Division Seeks Copies of All Foreign Documents Produced in the Civil Action

In May 2009, the Division abruptly abandoned its earlier position that it needed copies of class certification depositions and exhibits solely to ensure compliance with the Stay Order. For the first time, it demanded copies of *all* civil discovery, including foreign-based documents. At no time before making its sudden demand (or indeed, since that time) has the Division tried to obtain foreign-based documents through any of the settled methods: (i) letters rogatory; (ii) requests through treaties, such as mutual legal assistance treaties ("MLATs"), or executive agreements; and (iii) informal diplomatic requests. *See* United States Department of Justice, Criminal Resource Manual §§ 274-278.

The Division moved to modify the Stay Order to obtain copies of all documents produced in the MDL Action. (Dist. Ct. Dkt. No. 990, Motion to Modify.) AUO and other defendants opposed the motion. (Dist. Ct. Dkt. No. 1015, AUO's Opposition to Motion to Modify.) The District Court initially granted the Division's motion to modify. (App. 16a-17a.) However, in response to the defendants' concerns, the Court referred the parties to the Special Master, Retired District Judge Fern Smith, to explore modifications to the discovery plan.

AUO and other defendants moved for a limited stay of foreign-based discovery before Judge Smith. The Special Master expressed serious doubts about the Division's argument that it was not seeking foreign documents, but rather documents now located in the United States: "I am

troubled by this idea that [a defendant] on the one hand can be ordered to bring this stuff into the United States, and then the Government can say, ah-ha you brought it in, now we gotcha." Transcript of Proceedings, *In re: TFT-LCD (Flat Panel) Antitrust Litigation*, No. M 07-1827 SI, MDL No. 1827 (N.D. Cal. Aug. 12, 2009) at 13:7-10.) Noting that the foreign defendants had "vociferously argued against producing either their documents or their employees into this country during this entire litigation," she stated that "[t]he critical issue is whether allowing the DOJ to have copies of foreign discovery brought into the United States *under court order* does indeed grant to the United States foreign discovery that would otherwise be outside the grand jury's subpoena power." (App. 12a (emphasis in original).)

Taking into account the divergent interests of the parties and concerns about the grand jury's jurisdiction, Judge Smith recommended a compromise that continued to allow the Division to review civil discovery, but prohibited it from making copies of the foreign-based discovery of corporations which had never pled guilty to wrongdoing, or making them "available for presentation to the grand jury." (*Id.* at 14a.)

The Division objected to Judge Smith's recommendation and the issue was briefed before the District Court. The District Court rejected the Division's objections, and adopted the recommendation. (App. 9a-10a.)

The Order instructed AUO and others "to immediately produce the overdue foreign discovery and proceed with depositions as anticipated." (*Id.* at 10a.) Compelled by this order, AUO produced foreign-based documents shortly thereafter.

Following the production, counsel for the Division appeared at the office of AUO's counsel and performed a few computerized word searches on the documents, but never reviewed the production in any detail.

6. The Division Issues the Law Firm Subpoenas

After failing to obtain the foreign-based discovery in the MDL Action through modification of the Stay Order, the Division tried another tack. In December 2009, the grand jury issued subpoenas duces tecum to three law firms representing defendants in the MDL Action (the "Law Firm Subpoenas"). One of the subpoenas was served on Nossaman LLP, counsel for AUO.[4]

B. Procedural History

1. The District Court's Decision Quashing the Law Firm Subpoenas

Nossaman LLP and two other law firms representing defendants in the MDL Action moved to quash the Law Firm Subpoenas.

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[4] In December 2009, the grand jury also served subpoenas on K&L Gates LLP, counsel to HannStar Display Corporation, on White & Case LLP, counsel to Toshiba Corporation, Toshiba Mobile Display Co., Ltd. (f/k/a Toshiba Matsushita Display Technology Co., Ltd.), Toshiba America Electronic Components, Inc., and Toshiba America Information Systems, Inc and on Lieff, Cabraser, Heimann & Bernstein, LLP, co-lead counsel for the Direct-Purchaser Plaintiffs in the MDL Action.

After full briefing, the District Court granted the motions to quash.[5] The court pointed out that the Division's decision to seek foreign-based documents by subpoenaing civil discovery in an MDL action was unprecedented. (App. 8a.) The court undertook the formidable task of balancing the interests of the civil litigants, the rights of the non-pleading defendants and the investigative powers of the grand jury.

Like the Special Master, the District Court was "dubious about establishing such precedent, to permit grand juries to obtain foreign discovery for criminal grand jury proceedings when that evidence is present in the United States only as a result of related civil actions." (*Id.*)

The District Court carefully analyzed related legal precedents, including the principal case upon which the Division relied, *In re Grand Jury Subpoena Served on Meserve, Mumper & Hughes*, 62 F.3d 1222 (9th Cir. 1995). The District Court distinguished *Meserve*, pointing out that the Court "did not address the grand jury's authority to subpoena foreign evidence that would otherwise be outside its subpoena power, or the interplay

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[5] The grand jury conducted its criminal antitrust investigation pursuant to Federal Rule of Criminal Procedure 6 and 18 U.S.C. § 3332. The District Court opened three miscellaneous criminal cases to consider the motions to quash the Law Firm Subpoenas. The court had authority to grant the motion under Federal Rule of Criminal Procedure 17(c)(2). The power to do so "exists in the district court of the district where the grand jury sits by reason of its inherent authority to prevent misuse of its own process." *United States v. (Under Seal)*, 714 F.2d 347, 350 (4th Cir. 1983). The district court entered final judgment granting the motions to quash and thus disposing of the cases on February 11, 2010.

between criminal grand jury proceedings and ongoing civil proceedings involving unindicted foreign defendants." (App. 7a-8a.)

Given the court's concerns and the novel and significant issues presented regarding the scope of and geographical limits on grand jury subpoena power, the District Court ultimately granted the motions to quash on February 11, 2010. (*Id.*; Sealed App. 7.) The District Court filed a Statement of Reasoning, explaining its February 11 order, on March 29, 2010. (*Id.* at 4a.)

2. The Decision of the United States Court of Appeals for the Ninth Circuit

The Ninth Circuit reversed. In a two-page opinion, the court applied its "per se rule that a grand jury subpoena takes precedence over a civil protective order." (App. 3a.) According to the Court: "By chance of litigation, the documents have been moved from outside the grasp of the grand jury to within its grasp. No authority forbids the Government from closing its grip on what lies within the jurisdiction of the grand jury." (*Id.*)

C. AUO, AUOA and Six Executives Are Indicted

In June 2010 – after the District Court's order, but before the Ninth Circuit's opinion – AUO, AUOA and six current or former executives of the parent company were indicted in Federal court, charged with price-fixing. (Dist. Ct. Dkt. No. 1837, Letter from United States Confirming Defendants' Initial Appearance, Ex., 1.) Trial is currently scheduled for October 31, 2011. Therefore, issues such as the well-settled limitations on criminal discovery and the inherent conflict between civil

discovery and a rapidly approaching criminal trial are important factors in understanding the potential impact of the Ninth Circuit's opinion.

REASONS FOR GRANTING THE WRIT

A. The Circuits Are Split on the Important Issue of Whether and When a Grand Jury Subpoena Takes Precedence Over a Civil Protective Order

The Protective Order in the MDL Action clearly barred the Law Firms from producing the foreign-based discovery in response to the grand jury's subpoenas. When does a grand jury subpoena take precedence over a civil protective order? That question has deeply divided the Courts of Appeals.

Both here and in an earlier opinion, the Ninth Circuit held that a grand jury subpoena *always* takes precedence. The Fourth and Eleventh Circuits apply the same *per se* rule.

On the other hand, the Second Circuit has held several times that civil protective orders take precedence over grand jury subpoenas absent extraordinary circumstances.

Finally, the First and Third Circuits have held that although grand jury subpoenas will generally govern over civil protective orders, a protective order may be given precedence under appropriate circumstances.

As of the end of Fiscal Year 2007, the Division reported that over fifty sitting grand juries were investigating alleged international price-fixing

cartels.[6] Therefore, the conflict presented in this case, between the interests of a criminal investigation and foreign-based defendants engaged in a parallel civil MDL action, will inevitably recur. Absent this Court's intervention, the resolution of that conflict will depend on the Circuit in which a case happens to arise.

1. The Approach of the Ninth, Fourth and Eleventh Circuits

The sole authority cited by the Ninth Circuit in support of its conclusion that "[t]he subpoenas may be enforced" was the Court's earlier decision in *In re Grand Jury Subpoena Served on Meserve, Mumper & Hughes, supra*, 62 F.3d 1222.

In *Meserve,* various medical insurance companies had sued an insured for fraudulent billing practices. *Id.* at 1222-23. After lengthy discovery, the case was settled, and as part of the settlement, the district court entered a protective order sealing all discovery. *Id.* at 1123. A grand jury subsequently subpoenaed the law firm which had represented one of the insurers, seeking copies of all documents produced in discovery in the settled civil action. *Id.* The plaintiff in the underlying action intervened and moved to quash, but the district court denied the motion. *Id.*

After reviewing many of the authorities discussed below, the *Meserve* court affirmed the district court, holding that "a grand jury subpoena should, as a matter of course, prevail over a protective order." *Id.* at 1226.

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[6] "Recent Developments, Trends, and Milestones in the Antitrust Division's Criminal Enforcement Program" www.justice.gov/atr/public/speeches/232716.pdf.

As the District Court noted: "*Meserve* did not address the grand jury's authority to subpoena foreign evidence that would otherwise be outside its subpoena power, or the interplay between criminal grand jury proceedings and ongoing civil proceedings involving unindicted foreign defendants." (App. 7a-8a.) Because the civil action in *Meserve* had ended, there was no risk that witnesses might be placed in the "untenable position" of having to choose between invoking their Fifth Amendment rights and risking a negative inference in the civil action, or testifying and risking incrimination in the criminal case. Finally, there was no indication in *Meserve* that the Government played an active role in the civil litigation or recognized the authority of the protective order.

Two years before *Meserve,* the Eleventh Circuit decided *In re Grand Jury Proceedings (Williams),* 995 F.2d 1013 (11th Cir. 1993). Like *Meserve, Williams* was an entirely domestic dispute involving an already completed civil action in which the Government was not involved.

Plaintiff in the underlying civil action sued his former employer for unpaid commissions. *Id.* at 1013. Because a grand jury was investigating the plaintiff, he obtained a protective order in the civil action, providing that his deposition testimony could not be used for any other purpose. *Id.* at 1013-14. Following plaintiff's deposition, the civil action settled. *Id.* at 1015. Some time later, the grand jury subpoenaed the court reporter's notes of the deposition, but the district court quashed the subpoena. *Id.*

The Eleventh Circuit reversed, holding that the grand jury's need for information always outweighed the purposes served by civil protective

orders. *Id.* at 1015-16. Further, because the individual was attempting to shield testimony rather than documents from the grand jury, refusing to enforce the subpoena would amount to an improper judicial grant of use immunity, the Court found. *Id.* at 1017-18. Finally, the Eleventh Circuit doubted the workability of a case-by-case approach. *Id.* at 1018-20.

The Fourth Circuit adopted a similar *per se* rule in *In re Grand Jury Subpoena (Under Seal)*, 836 F.2d 1468 (4th Cir. 1988), another purely domestic case relating to deposition testimony. Plaintiffs there filed a civil suit in connection with the collapse of a savings & loan institution. *Id.* at 1469. When plaintiffs noticed the depositions of several officers and employees of the bank and related entities, the deponents obtained a protective order stating that the transcripts could not be given to the grand jury also investigating the bank's collapse. *Id.* The grand jury later subpoenaed the deposition transcripts, but the District Court denied the deponents' motion to quash. *Id.* at 1470.

A split panel of the Fourth Circuit affirmed. *Id.* at 1477. Civil protective orders do not offer significant protection to a deponent's Fifth Amendment rights, the court emphasized, although they may significantly impede a grand jury's criminal investigation. *Id.* at 1471-75. District courts had other tools available to facilitate civil litigation where Fifth Amendment issues arose. *Id.* at 1476-77. Like the Eleventh Circuit, the court held that allowing protective orders to shield deposition testimony from a grand jury amounted to an improper grant of use immunity. *Id.* at 1475. Finally, the court concluded that adoption of a case-by-case rule would impair the usefulness of

protective orders and impede grand jury investigations. *Id.* at 1478.

2. The Second Circuit's Approach

The *per se* rule adopted by the Ninth, Fourth and Eleventh Circuits is in direct conflict with the rule applied in the Second Circuit. In *Martindell v. International Tel. & Tel. Corp.*, 594 F.2d 291, 292 (2d Cir. 1979), a stockholders' derivative suit was filed against certain corporate officers and directors. While the action was still pending, the Government informally sought access to various deposition transcripts involving certain defendants and others in order to facilitate a criminal investigation. *Id.* at 293. After the civil action was settled, the district court denied the Government's motion. *Id.*

The Second Circuit affirmed, holding that "absent a showing of improvidence in the grant of a Rule 26(c) protective order or some extraordinary circumstance or compelling need," a protective order should not be modified or vacated to accommodate the Government's desire to "exploit private discovery conducted by others pursuant to a protective order." *Id.* at 296 & n.5.

The Second Circuit's extraordinary circumstances test attempts to balance society's interest in discovering and prosecuting potential crimes with its interest in "the just, speedy, and inexpensive determination of civil disputes . . . by encouraging full disclosure of all evidence that might conceivably be relevant." *Id.*. at 295. The Second Circuit reasoned that according more weight to civil protective orders is consistent with the civil litigants' reliance on the protective order and the fact that "the Government as investigator has awesome powers which render unnecessary its

exploitation of the fruits of private litigation." *Id.*, at 296 (internal quotations omitted). In the years since *Martindell.*, the Second Circuit has repeatedly reaffirmed and applied its rule. *E.g., In re Grand Jury Subpoena Duces Tecum*, 945 F.2d 1221, 1223-25 (2d Cir. 1991) (declining to follow the Fourth Circuit's *In re Grand Jury* opinion); *Minpeco S.A. v. Conticommodity Servs., Inc.*, 832 F.2d 739, 741-43 (2d Cir. 1987)); *Palmieri v. State of New York*, 779 F.2d 861, 864-65 (2nd Cir. 1985).

The Tenth Circuit's decision in *SEC v. Merrill Scott & Associates, Ltd.*, 600 F.3d 1262, 1272-73 (10th Cir. 2010) suggests that it may adopt the Second Circuit's extraordinary circumstance rule. Although *Merrill Scott* did not involve a grand jury subpoena seeking documents in the face of a civil protective order, the case is indicative of the position the Circuit is likely to take if faced with such facts.

In *Merrill Scott*, the SEC filed suit against a financial consulting firm for defrauding investors. *Id.* at 1266. An investor provided confidential documents to the SEC pursuant to two protective orders prohibiting disclosure of the documents to other government agencies or their use outside of the SEC investigation. *Id.* The Government subsequently intervened to modify the orders to allow disclosure of the documents to other agencies. *Id.* at 1268. The investor opposed the intervention, moving for the return of the protected documents. *Id.* The district court denied the investor's motion and modified the protective orders to allow such disclosure. *Id.* at 1269.

On appeal, the Tenth Circuit reversed. *Id.* at 1271. It stated that protective orders are vital to "'secur[ing] the just, speedy, and inexpensive

determination of civil disputes by encouraging full disclosure of all evidence that might conceivably be relevant.'" *Id.* at 1272 (quoting *Martindell*, 594 F.2d at 295). The court also cautioned that "courts should be wary of retroactive attempts to modify [a protective order] in ways that undermine the justified reliance of a witness" on such an order. *Merrill Scott*, 600 F.3d at 1272 (internal quotations omitted). The Tenth Circuit emphasized the principle underlying the Second Circuit's adoption of the extraordinary circumstance rule: "'[W]itnesses might be expected frequently to refuse to testify pursuant to protective orders if their testimony were to be made available to the Government for criminal investigatory purposes in disregard of those orders.' [*Martindell*] at 295-96." *Id.* And indeed, it held that the Government had not shown an extraordinary circumstance and ordered the return of the confidential documents. *Id.* at 1273.

Under the Second Circuit's extraordinary circumstance rule, the outcome of this case would have been different. Particularly given the Division's stubborn refusal to use any of the long-settled means for obtaining documents located on foreign soil, the Division cannot demonstrate extraordinary circumstances or compelling need. The unprecedented scope of the Division's subpoenas, the foreign origin of the documents, and the Division's acquiescence in the Civil Protective Order would compel affirmance of the district court's order quashing the Law Firm Subpoenas.

3. The First and Third Circuits' Approach

The First and Third Circuits have rejected both the *per se* rule of the Ninth, Fourth and

Eleventh Circuits, and the Second Circuit's rule favoring civil protective orders in most cases.

In re Grand Jury Subpoena, 138 F.3d 442, 443 (1st Cir. 1998) arose from a police beating case. The victim filed a civil suit against the alleged wrongdoers, and a protective order was entered with respect to both personnel information and deposition transcripts. *Id.* After several depositions were taken, the Government successfully intervened in the civil action, and obtained a stay of discovery on the grounds that a criminal grand jury was investigating the beating. *Id.*. Not long after, the grand jury subpoenaed one of the protected deposition transcripts. *Id.*

The First Circuit criticized both the Second Circuit's balancing of competing interests and the inflexibility of the *per se* rule: "[w]e are uneasy with both of these approaches." *Id.* at 444-45. Instead, the court adopted a third approach, holding that a grand jury subpoena should supersede a civil protective order unless the person challenging the subpoena can demonstrate "exceptional circumstances that clearly favor subordinating the subpoena to the protective order." *Id.* at 445.. The court suggested a variety of relevant considerations, including whether the material was available from other sources, the severity of the charges, the interests served by the protective order, and the potential harm to the parties and to society from forced disclosure. *Id.*.

The Third Circuit endorsed the First Circuit's approach in *In re: Grand Jury*, 286 F.3d 153 (3d Cir. 2002). There, an individual filed a civil suit, and the parties negotiated a protective order in order to protect certain personal and corporate financial information. *Id.* at 156. While the civil case was

ongoing, a grand jury commenced a criminal investigation of the plaintiff in the civil action. *Id.* A grand jury subpoena was served on the plaintiff's civil counsel seeking production of depositions and discovery responses from the civil action. *Id.* The civil plaintiff moved to quash, but the district court denied the motion. *Id.* at 157.

The Third Circuit affirmed, holding that there is a "strong presumption" that a subpoena supersedes a civil protective order, which may be overcome by a showing of "exceptional circumstances." *Id.* at 163. The Court endorsed the list of considerations relevant to the balancing test suggested by the First Circuit, stating that the presumption in favor of a grand jury subpoena may be overcome in "the rarest and most important of cases." *Id.* at 162-63.

With approximately fifty sitting grand juries investigating alleged international cartels, it is only a matter of time before the Division once again attempts to take the shortcut it used here, subpoenaing foreign-based documents not through the usual channels, but by piggybacking on private counsel's civil discovery. Six Circuits have taken three distinct approaches to resolving conflicts between civil protective orders and grand jury subpoenas. Under two of those three approaches, the result here would have been different. The Court should grant certiorari and settle this important issue once and for all.

B. The Ninth Circuit's Decision Conflicts with Long-Settled Principles Governing the Geographic Reach of a Grand Jury's Subpoena

Because the Ninth Circuit chose to apply its *Meserve* rule here to the petitioners' foreign-based documents, the Court's decision conflicts with settled principles of law regarding the geographical limits of a grand jury's subpoena power.

Without express statutory authorization, grand jury subpoenas cannot reach documents located overseas. *See, e.g., Commodity Futures Trading Comm'n v. Nahas*, 738 F.2d 487, 493-94 (D.C. Cir. 1984); *see also* United States. Dept. of Justice, Criminal Resource Manual §§ 274-278 (identifying letters rogatory, international agreements and informal requests as acceptable methods for obtaining foreign evidence). No statute authorizes service of a grand jury subpoena on a foreign national in a foreign country.[7] Indeed, any attempt to serve such a subpoena would violate both international and domestic law. *E.g., Commodity Futures Trading Comm'n*, 738 F.2d at 493-94.

A variety of methods exist for the Government to seek foreign-based documents, such as letters rogatory and informal diplomatic requests. These methods were designed to give notice to the foreign sovereign

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[7] There is only one statute that authorizes the service of a grand jury subpoena in a foreign country: 28 U.S.C. § 1783, titled "Subpoena of Person in Foreign Country." *See also* Fed. R. Crim. P. 17(e)(2) ("If the witness is in a foreign country, 28 U.S.C. § 1783 governs the subpoena's service."). That statute, however, applies only to "a national or resident of the United States who is in a foreign country." 28 U.S.C. § 1783(a).

concerning the request for documents within its jurisdiction. *See* Handbook on Antitrust Grand Jury Investigations (American Bar Association, Section of Antitrust Law, 3d ed. 2002) at 281 ("The legal basis for letters rogatory is the principle of comity between nations. A letter rogatory is a formal request from a U.S. court to the appropriate judicial authorities of another country requesting the performance of an act of assistance, which, unless sanctioned by the foreign court, would constitute a violation of the receiving country's sovereignty.")

The established procedures for obtaining foreign evidence are not mere formalities; they are rooted in jurisdictional limits and a history of opposition to the use of invasive discovery tools in a foreign sovereign's territory. For these reasons, to the extent that the Division seeks foreign discovery for a criminal investigation, principles of international comity dictate that the Division should follow established procedures and seek documents directly, in order to give foreign sovereigns notice and the opportunity to object to a request.

The Ninth Circuit's *per se* rule encourages the Division to routinely ignore these settled methods for seeking foreign-based discovery, and instead simply announce an investigation and then wait to capitalize on the domestic civil discovery which is sure to follow. The Government will no longer need to notify foreign sovereigns of its intentions and consider their objections. Such a result conflicts with the important principles of foreign sovereignty and international comity this Court has frequently recognized. *E.g., Hilton v. Guyot*, 159 U.S. 113, 164 (1895). The district court quashed the subpoena, in large part, out of concern over the impact of such a

precedent on foreign sovereignty, but the Ninth Circuit's *per se* rule frustrates these important interests.

C. The Ninth Circuit's Decision Improperly Limits the District Court's Discretion Under Rule 17(c)(2) of the Federal Rules of Criminal Procedure to Balance the Conflicting Interests Involved in Parallel Criminal and Civil MDL Proceedings

Federal grand juries are, of course, a long-standing and important fixture of constitutional law, possessing broad investigatory powers. But as this Court has cautioned, "[t]he investigatory powers of the grand jury are nevertheless not unlimited." *United States v. R. Enters., Inc.*, 498 U.S. 292, 299 (1991). Rule 17(c)(2) of the Federal Rules of Criminal Procedure vests in the district courts the obligation to confine the grand jury's subpoena power to its proper scope by quashing a subpoena if it is "unreasonable or oppressive." *United States v. Bergeson*, 425 F.3d 1221, 1224 (9th Cir. 2005) ("Rule 17(c)(2) confers discretion on the district court to quash a grand jury subpoena if compliance would be 'unreasonable or oppressive.'"); *see also In re Grand Jury Matters*, 751 F.2d 13, 16 (1st Cir. 1984) ("Because [the grand jury's] subpoena power may be abused, Fed.R.Crim.P. 17 gives the district court, on motion, the power to quash or modify a subpoena."). As the Ninth Circuit has explained elsewhere:

> Rule 17(c) requires a discretionary, case-by-case inquiry. There is no rule of law that without some particular factor, the government cannot

> have the subpoena, or that with it, it can. The factors the district court must consider under Rule 17(c)(2) -- unreasonableness and oppressiveness -- cannot sensibly be converted into a mechanical rule enabling an escape from case-by-case judgment.

Bergeson, 425 F.3d at 1225; *see also In re Grand Jury Matters*, 751 F.2d at 19 ("there can be no absolute rule"); *In re Grand Jury Subpoena for Attorney Representing Criminal Defendant (Reyes-Reuena)*, 913 F.2d 1118, 1127-29 (5th Cir. 1990) (finding that the decision to quash under Rule 17(c)(2) requires "careful" analysis of the particular facts of the case).

Unlike the more flexible rules employed by the First, Second and Third Circuits, the *per se* rule applied in the Ninth, Fourth and Eleventh Circuits is contrary to Congress's clear intent, which the Ninth Circuit has previously recognized, that district courts should have the discretion under Rule 17(c)(2) to restrain the grand jury by quashing subpoenas which are unreasonable or oppressive. There is nothing in Rule 17(c)(2)'s language, and Congress has said nothing with regard to the Rule, that would indicate that a district court's discretion is eliminated whenever a civil protective order is in place. Indeed, in many such cases, the district court has already made a careful balancing of the civil litigants' competing interests, making a flexible approach to subpoenas all the more necessary.

This case shows the importance of the district court's discretion to confine the grand jury's power to its proper scope. The criminal and civil cases are continuing in parallel. The civil MDL Action involves the AUO entities, who face a criminal trial in October 2011, as well as additional defendants who have never been indicted. The *per se* rule of the Ninth, Fourth and Eleventh Circuits handcuffs district courts seeking to carefully balance conflicting interests in such circumstances.

Rather than pursuing the foreign-based documents through any of the established methods, the Division caused the grand jury to issue subpoenas on Nossaman LLP and other counsel in the MDL Action. The Division chose this course after participating in the MDL Action and acquiescing in the entry of the Civil Protective Order.

The practice of serving grand jury subpoenas on counsel has been universally condemned by both Justice Department policy and the courts. The Justice Department's policy requires that "all reasonable attempts *shall* be made to obtain the information from alternative sources *before* issuing the subpoena to the attorney, unless such efforts would compromise the investigation or case." United States Department of Justice, United States Attorney's Manual ("USAM") § 9- 13.410(B) (emphases added).

The Ninth Circuit has elsewhere denounced the practice of subpoenaing a party's documents from its attorney, finding it "clearly wrongful." *United States v. Perry*, 857 F.2d 1346, 1348 (9th Cir. 1988) (citing *United States v. Nebbia*, 357 F.2d 303 (2d Cir. 1966)). The court observed that the

practice "has been almost universally criticized by courts." *Id.* "[I]t is viewed as a tool of prosecutorial abuse and as an unethical tactical device US Attorneys employ to go on a 'fishing expedition' with legal counsel without first pursuing alternative avenues to get the information." *Id.*; *see also United States v. Bergeson*, 425 F.3d 1221, 1227 (9th Cir. 2005) (affirming district court's exercise of discretion under 17(c)(2) to quash subpoena served on attorney).

Both the First and Third Circuits have listed various factors which a district court should weigh in balancing the conflicting interests of the grand jury's criminal investigation and the parties to the civil litigation. That balancing is particularly important in the context of complex international multidistrict litigation.

The MDL Action, which is pending before the same District Court which quashed the grand jury's subpoena, consists of nearly 150 consolidated actions, many of them putative class actions. The first cases to be filed have been pending for more than four years, and the defendant TFT-LCD manufacturers are residents of three foreign countries – Japan, South Korea and Taiwan. During that time, the parties negotiated the Civil Protective Order with the Division's knowledge and acquiescence, and the District Court has entered dozens of orders resolving discovery disputes. The inflexible *per se* rule adopted by the Ninth Circuit's opinion unnecessarily restricts courts' authority to supervise such complex MDL actions.

D. The Ninth Circuit's Decision Conflicts with Well-Settled Principles Regarding the Limited Scope of Criminal Discovery

The Ninth Circuit's Opinion also conflicts with the well-settled distinctions between criminal and civil discovery, and particularly, the statutory limits on criminal discovery. As the District Court below recognized, the grand jury's exercise of its subpoena power here is unprecedented. (App. 8a.) At no point before the District Court or the Ninth Circuit has the Division cited a single instance, and Petitioners know of no case, in which it was permitted to obtain the entire discovery record from a civil case, including foreign documents and deposition testimony of foreign witnesses.

Courts have long recognized that the Government may not exploit the liberal civil discovery rules to obtain discovery broader than that available under criminal discovery rules for use in a parallel criminal investigation.[8] *See, e.g., Osband v. Woodford*, 290 F.3d 1036, 1042-43 (9th Cir. 2002) (prohibiting government from using civil discovery in criminal litigation)[9]; Charles A. Wright, Arthur R. Miller & Richard L. Marcus, Federal Practice and Procedure § 2040 (2d ed. 1994) ("[C]ourts do not permit the discovery procedures in federal civil actions to be used merely as a device to obtain evidence for use in some other proceeding in

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[8] The Division itself invoked this law when it first sought a stay of discovery in the Civil Action from the District Court, before it altered course and sought the foreign-originated civil discovery for use in its grand jury investigation.

[9] Notably, the Division quoted from *Osband* in its July 2007 Stay Memorandum to demonstrate the inherent risks in commingling criminal and civil discovery. (*See* Dist. Ct. Dkt. No. 232, Stay Memorandum at 6-7.)

which discovery is less extensive."); *McSurely v. McClellan*, 426 F.2d 664, 671-72 (D.C. Cir. 1970) ("civil discovery may not be used to subvert limitations on discovery in criminal cases, either by the government or by private parties.").

The Ninth Circuit's Opinion raises serious doubts about the continuing vitality of this important limitation on the Government's authority under federal law and will promote gamesmanship in future criminal investigations. Under the *per se* rule pronounced by the court below, the Government can circumvent the limitations on criminal discovery that would otherwise apply by simply waiting to capitalize on private discovery in parallel civil actions; indeed, the Government would be free to encourage a civil defendant that had pled guilty in the criminal action to request specific discovery in the parallel civil action which would otherwise be beyond the reach of a grand jury subpoena. Such Government requests substantially and unnecessarily impede the timely and just resolution of civil disputes.

CONCLUSION

Six circuits have split three different ways over the important question of when a grand jury subpoena should take precedence over a civil protective order. This issue takes on particular importance in the context presented here, where the Ninth Circuit's *per se* rule in effect permits Federal grand juries to extend the geographic scope of their subpoenas worldwide. The petition for writ of certiorari should be granted in order to resolve these important conflicts.

Respectfully submitted.

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APPENDIX A

UNITED STATES COURT OF APPEALS,
NINTH CIRCUIT

No. 10-15758

In re GRAND JURY SUBPOENAS, served on
White & Case LLP, Lieff, Cabraser,
Heinemann, Bernstein LLP,
K&L Gates LLP, and Nossaman LLP,
United States of America,
Appellant.

Appeal from the United States District Court
for the Northern District of California
Susan Illston, District Judge, Presiding

Argued and Submitted Nov. 3, 2010.
Filed Dec. 7, 2010.

Before: JOHN T. NOONAN and RICHARD A. PAEZ,
Circuit Judges, and KEVIN THOMAS DUFFY,
District Judge.*

James J. Fredricks, United States
Department of Justice, Washington, D.C.,
for appellant the United States.

Christopher M. Curran (argued), White & Case LLP,
Washington, DC, John H. Chung, White & Case LLP,
New York, NY, for White & Case LLP, et al.

* The Honorable Kevin Thomas Duffy, United States District Judge for the Southern District of New York, sitting by designation.

OPINION

NOONAN, Circuit Judge:

The United States appeals an order of the district court quashing certain subpoenas directed to the respondent law firms named in the caption of the case (the Law Firms). The subpoenas sought nonprivileged material in aid of a grand jury investigating the clients of the Law Firms. The material had been obtained by the firms as a result of civil discovery in an antitrust suit. Holding that the district court abused its discretion, we reverse its order.

BACKGROUND

In 2006, the United States was conducting an antitrust investigation into alleged criminal conduct. Soon after this investigation became public, a number of civil suits were filed by private plaintiffs against the companies under investigation. These suits were consolidated in the Northern District of California before District Judge Illston. The litigation resulted in the production by the civil defendants of documents originating outside the United States. The documents at issue here came into the possession of the Law Firms in the United States.

In this case the United States subpoenaed these documents. Invoking Federal Rule of Criminal Procedure 17, the Law Firms moved to quash. The district court stated that it found no authority governing the case. It concluded: "However, because the motions to quash raise novel issues with potentially far-reaching implications about the power of the grand jury and the relationship between grand jury proceedings and civil discovery of unindicted foreign defendants, the Court finds it is more prudent to quash the subpoe-

nas and allow the DOJ to raise these issues on appeal to the Ninth Circuit."

This appeal followed.

ANALYSIS

On appeal, the Law Firms argue that the district court exercised its discretion under Fed.R.Crim.Proc. 17 to quash the subpoenas and that the court of appeals should respect its reasonable exercise of discretion. We do not read the district court's decision as an exercise of discretion but as a passing of the decision to this court. We are not reviewing an exercise of discretion but a request for guidance.

[1] No collusion between the civil suitors and the government has been established or even suggested by the Law Firms. Indeed, the district court determined that the government had not engaged in any bad faith tactics. Moreover, the Law Firms do not claim that the documents are privileged. Accordingly, we apply our per se rule that a grand jury subpoena takes precedence over a civil protective order. *In re Grand Jury Subpoena Served on Meserve, Mumper & Hughes*, 62 F.3d 1222, 1226-27 (9th Cir.1995). By a chance of litigation, the documents have been moved from outside the grasp of the grand jury to within its grasp. No authority forbids the government from closing its grip on what lies within the jurisdiction of the grand jury. *See* 18 U.S.C. § 3332.

[2] For this reason, the order of the district court is REVERSED. The subpoenas may be enforced.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT
OF CALIFORNIA

No. M 07-1827 SI
MDL. No. 1827

IN RE: TFT-LCD (FLAT PANEL)
ANTITRUST LITIGATION

This Order Relates to:
ALL CASES

STATEMENT OF REASONING INVOLVED IN COURT'S ORDER OF FEBRUARY 11, 2010

The Court issued an order, filed under seal, on February 11, 2010. The Government objects to a request made by certain defendants to unseal that order. The Government asserts that unsealing the order would violate Rule 6(e)(6) of the Federal Rules of Criminal Procedure, which governs grand jury proceedings. The Government adds, however, that "the Court is fully aware of its legal reasoning and is at liberty to draw upon and even share its reasoning in the context of the civil dispute." The Court does so here.

BACKGROUND

Shortly after the civil cases were transferred to this district for multidistrict proceedings, the Department of Justice sought to intervene in the MDL for the purpose of seeking to limit discovery in the civil actions. By order filed July 10, 2007, the Court permitted the DOJ to intervene. The DOJ then moved to stay civil discovery on two grounds. First, the DOJ asserted that because civil discovery is broader than criminal discovery, there was the risk that parties in the civil action would be able to discover sensitive information about the grand jury investigation through civil discovery. Second, the DOJ argued that if civil discovery proceeded in tandem with the grand jury proceedings, employees of the companies under investigation could be placed in the untenable position of having to choose between asserting their Fifth Amendment right against self-incrimination in a civil deposition, with the negative inference that comes with that decision, or testifying in a civil deposition and running the risk of self-incrimination in the criminal matter. The Court granted the DOJ's motion to stay discovery until May 2008, but permitted certain limited categories of non-grand jury discovery to proceed. The stay order permitted the DOJ to review but not copy all discovery produced by a party. Docket No. 306 in M 07-1827 SI. In May 2008, the stay order was revised to permit certification discovery.

The parties in the MDL negotiated a protective order to preserve the confidentiality of the documents produced pursuant to civil discovery. The December 10, 2007 stipulated protective order provides that the parties may use civil discovery materials "only in connection with this [civil] action for prosecuting,

defending, or attempting to settle this action." In 2009, the DOJ sought to modify the September 2007 stay order to allow the DOJ to copy, and not just review, all documents produced in the MDL. The Court initially granted the motion, but in response to concerns raised by defendants, referred the parties to the Special Master to explore modifications to the discovery plan. After briefing and a hearing, the Special Master recommended that DOJ be permitted to review all civil discovery, but prohibited from making any copies of the overseas discovery, including deposition transcripts, of the unindicted defendants. The Special Master found that the DOJ's request for all civil discovery would expand the DOJ's subpoena power beyond its current geographical limits. The Special Master stated that "[t]he critical issue is whether allowing the DOJ to have copies of foreign discovery brought into the United States *under court order* does indeed grant to the United States foreign discovery that would otherwise be outside the grand jury's subpoena power," and she noted that the foreign defendants had "vociferously argued against producing either their documents or their employees into this country during this entire litigation." Report & Recommendation Re: Toshiba Entities' Motion for Modifications to the Discovery Schedule and Plan at 2:25-26 (emphasis added). The Special Master found that "those defendants are still guaranteed certain protections regarding criminal proceedings and those protections must be safe-guarded, so that the government does not overstep its power, intentionally or otherwise." *Id.* at 3. The Special Master was also concerned that any criminal indictments that flowed from the grand jury's review of overseas documents produced in the civil matter could be subject to challenge. This Court adopted the Special Master's

R & R in an order filed October 20, 2009. That order provided that "the United States shall be limited to reviewing access only, without the right to copy foreign documents and deposition transcripts of foreign national employees of the Toshiba Entities and AUO, as well as the other non-indicted foreign defendant (such as . . . Hannstar Display Corporation)."

DISCUSSION

The central question considered in the February 11, 2010 order was whether a grand jury may subpoena foreign-based documents that would otherwise be outside the geographic scope of its subpoena power, but that are located in the United States by virtue of the civil discovery in a related MDL proceeding. The documents in question might otherwise be obtained by (1) letters rogatory, (2) requests made under executive agreements or treaties, such as mutual legal assistance treaties, and (3) informal means.

The Court considered *In Re Grand Jury Subpoena Served on Meserve, Mumper & Hughes*, 62 F.3d 1222 (9th Cir. 1995), to determine whether the grand jury might have the authority to subpoena such foreign documents. In *Meserve*, the Ninth Circuit established a *per se* rule that protective orders cannot shield discovery from grand jury subpoenas, and the court held that a criminal grand jury could subpoena documents that were subject to a protective order in a closed civil case. *Id.* at 1226. While there is broad language in *Meserve* regarding the power of the grand jury, *Meserve* did not address the grand jury's authority to subpoena foreign evidence that would otherwise be outside its subpoena power, or the interplay between criminal grand jury proceedings and ongoing civil proceedings involving unindicted

foreign defendants. It often happens that civil cases are filed on the heels of an announcement about a criminal grand jury investigation, and related foreign-based evidence and depositions may be present in the United States solely because of the civil discovery. Ordinarily a grand jury would be required to obtain foreign material through letters rogatory or other methods. The Court did not find precedent in the case law, and was dubious about establishing such precedent, to permit grand juries to obtain foreign discovery for criminal grand jury proceedings when that evidence is present in the United States only as a result of related civil actions.

The Court felt it possible that such actions might ultimately jeopardize the criminal proceedings. The Court therefore found it is prudent allow the appellate process to establish such precedent if appropriate.

Dated: March 29, 2010

/s/ SUSAN ILLSTON
SUSAN ILLSTON
United States District Judge

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT
OF CALIFORNIA

No. M 07-1827 SI
MDL. No. 1827

IN RE: TFT-LCD (FLAT PANEL)
ANTITRUST LITIGATION

This Order Relates to:
ALL CASES

ORDER DENYING UNITED STATES' OBJECTIONS TO SPECIAL MASTER'S AUGUST 24, 2009 REPORT AND RECOMMENDATION; ADOPTING REPORT AND RECOMMENDATION

On October 9, 2009, the Court heard argument on the United States' objections to the Special Master's August 24, 2009 Report and Recommendation Re: Toshiba Entities' Motion for Modifications to the Discovery Schedule and Plan. The Court DENIES the United States' objections and hereby ADOPTS the Report and Recommendation. As set forth in the Report and Recommendation, the United States shall be limited to reviewing access only, without the right to copy foreign documents and deposition transcripts of foreign national employees of the Toshiba Entities and AUO, as well as the other non-indicted foreign defendants (such as the Chi Mei defendants and

Hannstar Display Corporation). In accordance with the Report and Recommendation, Toshiba and AUO are ordered to immediately produce the overdue foreign discovery and proceed with depositions as anticipated.

The Toshiba entities also seek an order prohibiting the Department of Justice from issuing subpoenas for the foreign documents. The Court DENIES that request. If and when the DOJ seeks to enforce existing subpoenas, or issues new subpoenas seeking the foreign documents, the matter will then be ripe for decision. Alternatively, the Toshiba entities seek a stay on foreign discovery. The Court DENIES that request because a stay would be unfair to the civil plaintiffs whose discovery from Toshiba has already been delayed for over a year.

Accordingly, the Court DENIES the DOJ's objections (Docket No. 1258) and ADOPTS the Report and Recommendation (Docket No. 1223). The Court also GRANTS the Toshiba Entities' motion for leave to file a response to the direct purchasers plaintiffs' response, and that response shall be considered part of the record. (Docket No. 1315).

IT IS SO ORDERED.

Dated: October 20, 2009

SUSAN ILLSTON
SUSAN ILLSTON
United States District Judge

APPENDIX D

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA,
SAN FRANCISCO DIVISION

Master File No. M07-1827 SI
MDL No. 1827

IN RE: TFT-LCD (FLAT PANEL)
ANTITRUST LITIGATION

This Document Relates to:
ALL ACTIONS

REPORT & RECOMMENDATION RE:
TOSHIBA ENTITIES MOTION FOR
MODIFICATIONS TO THE DISCOVERY
SCHEDULE AND PLAN

On June 19, 2009, the District Court heard argument on the United States' motion to modify the Court's September 25, 2007 Order by permitting the DOJ Antitrust Division to receive copies of all discovery in this civil matter, including deposition transcripts. The Court's earlier order had permitted the DOJ to review but not copy that discovery. Civil Defendants Toshiba and AUO were the only parties to oppose the motion.

After briefing and oral argument, the Court granted DOJ's motion, finding that "the DOJ does not seek to compel foreign discovery that would otherwise be outside the grand jury's subpoena power, but instead

seeks copies of evidence brought into the United States as part of discovery in this case." (See Court's Order of June 24, 2009.) The Court then stated that "it may be appropriate to explore modifications to the discovery schedule and plan," referring such matter to the undersigned. Toshiba responded by filing a letter brief before the Special Master on July 15, 2009, to which AOU joined but made no separate arguments.

The relief asked for was a stay of production of the Toshiba Entities' overseas documents and the merits depositions of their overseas employees.

Both direct and indirect Plaintiffs filed oppositions. Because the Special Master believed that Toshiba had raised a colorable argument, not specifically addressed by the Court's June 24 Order, an in-person hearing was held on August 12, 2009, before the Special Master, to which the DOJ was requested to appear. The DOJ appeared at the hearing and also filed a follow-up letter brief on August 17, which has been read and considered. (The issue of whether the DOJ should have been served with the Toshiba motion is not material and need not be addressed.)

The critical issue is whether allowing the DOJ to have copies of foreign discovery brought into the United States *under court order* does indeed grant to the United States foreign discovery that would otherwise be outside the grand jury's subpoena power. The Special Master is cognizant that Judge Illston's conclusion in her June 24 Order appears to answer that question in the negative, and it is not within my authority or my intent to countermand her findings. My recommendations are offered for her consideration only. There is reason to believe, however, that there are distinctions to be made in this specific

instance that were neither addressed in the authorities cited, nor argued to the court.

It is not disputed that foreign discovery is generally outside the United States subpoena power in criminal proceedings. The authorities for that were cited and well argued in the DOJ's June 19 Motion and need not be set forth again. The DOJ is also correct in its argument that once foreign companies and individuals "choose to avail themselves of United States' courts and bring evidence from overseas into the United States, the grand jury is entitled to subpoena it." (US Reply to AUO and Toshiba's Opposition to US Motion to Modify the Court's September 25, 2007 Order).

The problem here is that Defendants did not "choose to avail themselves" of the US courts or voluntarily "bring evidence from overseas into the United States." Rather they were hauled, kicking and screaming, into our courts and have vociferously argued against producing either their documents or their employees into this country during this entire litigation. That resistance has been difficult for Plaintiffs and for the Court, and has resulted in expensive and time-consuming discovery disputes. Colorable arguments can and are made that, having put their products into the American stream of commerce and having made significant profits from so doing, resisting civil litigation over those products in our courts is unjustified and an abuse of our judicial system. Be that as it may, those defendants are still guaranteed certain protections regarding criminal proceedings and those protections must be safeguarded, so that the government does not overstep its power, intentionally or otherwise.

At the same time, Plaintiffs in this civil litigation have been significantly delayed in seeking resolution of their claims, primarily due to issues related to the parallel government investigation. To re-impose a further stay on discovery at this late stage seems unfair to them. The question then is whether there is some procedure that is reasonably responsive to the positions of all sides.

Because this issue arises out of the governments June motion to modify, it is useful to look at the reasons for its request. The government already had the right to review, but not copy, all discovery in this matter. The only argument it gives for needing actual copies is one of convenience. i.e. that "the large amount of discovery, including over 100 deposition transcripts, will make in-person review of these materials at an off-site location impractical and inefficient" and that it "would be less burdensome for the DOJ to make copies of the documents and review them in its own office." Although true, we are considering now only a small sub-set of that discovery, i.e. foreign documents of unindicted Defendants Toshiba and AUO that are brought into the United States by court order and deposition transcripts of foreign national employees from those same defendants. Other than inconvenience, the government has cited no prejudice to its interests from the earlier procedure of limited access. Nor is there any prejudice to Plaintiffs from maintaining that earlier status. Finally, as long as copies of its foreign discovery are not available for presentation to the grand jury, the prejudice to defendants, if any, appears minimal.

For the reasons stated, the Special Master recommends that the Court modify its Order of June 24, 2009, to limit the United States to reviewing access

only, without the right to copy foreign documents and deposition transcripts of foreign national employees of the Toshiba Entities and AUO, brought into the United States under court order in this civil litigation. A protective order should also issue, protecting this limitation from production by other parties. (Information about Toshiba and/or AUO contained in documents and depositions of other parties would not be covered by this order.) It should be noted that the DOJ argued at the hearing that it could then subpoena the subject documents and that its subpoena power would "trump" any Protective Order issued by this court. That issue is not ripe for decision at this time.

Once the Court has ruled on this Report and Recommendation, Toshiba and AUO should immediately produce the overdue foreign discovery and proceed with depositions as anticipated. As always, should the Court have any questions, I am available to respond further.

Respectfully submitted,

HON. FERN M. SMITH (RET.)
HON. FERN M. SMITH (RET.)
SPECIAL MASTER

DATED: AUGUST 24, 2009

[PROPOSED] ORDER

Good cause appearing, the Court hereby adopts the Special Master's Report and Recommendation.

DATED: _____
HON. SUSAN ILLSTON
UNITED STATES DISTRICT COURT

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT
OF CALIFORNIA

No. M 07-1827 SI
MDL. No. 1827

IN RE: TFT-LCD (FLAT PANEL)
ANTITRUST LITIGATION

This Order Relates to:
ALL CASES

ORDER GRANTING UNITED STATES'
MOTION TO MODIFY THE COURT'S
SEPTEMBER 25, 2007 ORDER

On June 19, 2009, the Court heard argument on the United States' motion to modify the Court's September 25, 2007 Order Granting United States' Motion to Stay Discovery. (Docket No. 990). The September 25, 2007 order permits the Department of Justice, Antitrust Division to review all discovery in this matter. DOJ seeks to modify the order to permit DOJ receive copies of all discovery in this matter, including deposition transcripts.

The motion is unopposed by plaintiffs and all defendants except the AUO and Toshiba defendants. The Court does not find appropriate AUO's proposal to allow questioning of deponents regarding the grand jury proceedings or the witnesses' testimony.

As the government notes, witnesses may voluntarily disclose information about the grand jury proceedings and their testimony, and the current limitations only prohibit attorneys from compelling testimony in a deposition.

The Court is also not persuaded by the objections raised by Toshiba, and finds that the DOJ should be permitted to receive copies of the documents and transcripts in these proceedings. *Cf. In re Grand Jury Subpoena Served on Meserve, Mumper & Hughes*, 62 F.3d 1222, 1224-26 (9th Cir. 1995). The DOJ does not seek to compel foreign discovery that would otherwise be outside the grand jury's subpoena power, but instead seeks copies of evidence brought into the United States as part of discovery in this case. As discussed at the June 19, 2009 hearing, it may be appropriate to explore modifications to the discovery schedule and plan, and if the Toshiba defendants (or any other parties) wish to do so, they should meet and confer and discuss the matter with Judge Smith.

IT IS SO ORDERED.

Dated: June 24, 2009

SUSAN ILLSTON
SUSAN ILLSTON
United States District Judge